



March 11, 2021

Chairman Marvin L. Abney
House Committee on Finance
Rhode Island Statehouse
82 Smith Street
Providence, RI 02903

RE: House Bill 5802 – OPPOSE

Dear Chairman Abney:

On behalf of Purpose Financial, a leading provider of regulated consumer credit which operates 18 Advance America storefronts in Rhode Island, I am writing to voice strong opposition to House Bill 5802. This bill would deny Rhode Islanders' access to the regulated, short-term, small-dollar credit on which they occasionally rely. It would also result in the closure of all Advance America's storefronts in the state.

Many hard-working families in Rhode Island and across the country struggle to make ends meet and live paycheck to paycheck. According to data from the Federal Reserve, four in 10 American adults do not have \$400 to cover an unexpected expense without selling something or borrowing money. **House Bill 5802 would do nothing to address Rhode Islanders' financial needs; instead, it would eliminate a regulated credit option.** House Bill 5802 amounts to an effective ban through an interest rate cap that would prevent lenders from covering basic operating expenses, including employee salaries, rent and utilities.

Purpose Financial strongly believes that a regulated small-dollar lending market is in the best interest of consumers, balancing access to credit with critical protections. Nearly every aspect of our business is regulated at the state and federal levels, and we operate in strict compliance with all applicable laws. Rhode Island's existing payday lending statute features a number of effective guard rails while ensuring consumers can borrow when they need help the most. In fact, Rhode Island's one-time fee of \$10 per \$100 borrowed – a 10 percent interest rate – is the lowest fee to borrow a payday loan in the United States. No hidden fees, no compounding interest – just \$10.

We disclose this fee as both a dollar amount and an annual percentage rate (APR), so that borrowers can compare our services with other credit options. However, APR does not reflect the cost of a two-week payday loan, but rather the cost of borrowing that loan every two weeks for a year, whereas our loans are repaid in a matter of weeks. Under the interest rate cap proposed in House Bill 5802, a lender's revenue on a \$100 loan would be just \$1.07, forcing us to close our doors and release our employees.

In today's credit market, regulated lenders like Advance America provide consumers with critical access to credit when other financial institutions do not fully serve them. While some bank, credit union and non-profit programs in Rhode Island are touted as "alternatives" to payday loans, these options are not broadly available and involve a variety of restrictions and confusing fee structures. They provide another



choice for consumers, but they cannot be considered a legitimate replacement for widely accessible, regulated payday loans. Further, even these other providers would be unable to sustainably offer short-term, small-dollar loans without subsidy under the interest rate cap proposed in House Bill 5802.

Rhode Islanders' need for credit does not disappear once regulated payday loans are eliminated. Without access to loans from licensed lenders, they must suffer the consequences of unmet financial obligations, or be forced to resort to more expensive or less regulated options, such as expensive overdraft programs, utility reconnection fees, or even bankruptcy.

Borrowers in Rhode Island appreciate regulated payday loans for their simplicity, cost-competitiveness and transparency. As you consider this legislation, Purpose Financial is committed to working with you to identify ways to help meet Rhode Islanders' financial needs and preserve their access to regulated credit options. Taking away this regulated option, as House Bill 5802 would do, will do little to address Rhode Islanders' need for credit or to ease the challenges they face.

Sincerely,

Julie Townsend
Senior Policy Counsel